

Message Text

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PAGE 01 STOCKH 02100 171014Z
ACTION EB-07

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TO SECSTATE WASHDC 608
INFO AMEMBASSY WARUAW
USMISSION OECD PARIS SWOPQ

C O N F I D E N T I A L STOCKHOLM 2100

STADIS//////////

EXCON

E.O. 11652: GDS
TAGS: ESTC, COCOM
SUBJECT: SWEDISH THREE RPT THREE AXE MACHINE TOOL LICENSING

REF: STATE 105954 AND PREVIOUS

1. WASHINGTON TEAM AND EMBOFF MET WITH WEICHBRODT OF ASEA ON MAY 13. ALTHOUGH WEICHBRODT WAS ON EDGE AT OPENING OF MEETING, AND SEEMED TO BE WAITING FOR VISITORS TO COME UP WITH SOME THREAT WHICH HE COULD SLAP DOWN, PATIENT APPROACH OF WASHINGTON TEAM WAS EFFECTIVE IN ESTABLISHING FRANK, POSITIVE ATMOSPHERE. WEICHBRODT LATER REMARKED ON A NUMBER OF OCCASIONS THAT ASEA VALUES IT COMMERCIAL RELATIONS WITH THE US MOST HIGHLY AND WOULD NOT LIKE TO JEOPARDIZE THOSE RELATIONS. HE STATED ASEA WAS MOST ANXIOUS, WITHIN THE BOUNDS OF ALREADY EXISTING CONTRACTURAL OBLIGATIONS TO COOPERATE FULLY WITH THE US. WASHINGTON TEAM EXPLAINED PROVISIONS OF COCOM IL 1091 AT OUTSET (WEICHBRODT WOULD HAVE NONE OF EXPLAINING THE ASEA-MERA DEAL FIRST).

2. AS TECHNICAL COMMENTARY BELOW INDICATES, REPORTS OF
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STOCKH 02100 171014Z

FOUR AND FIVE AXES CAPABILITIES FOR ASEA'S NUCON 400 ARE EXAGGERATED. WEICHBRODT IS CONVINCED THAT NUCON 400 IS NOT SIGNIFICANTLY MORE COMPLEX OR STRATEGIC THAN TWO-AXES MACHINES. HE INSISTS THAT THE STEP FROM TWO TO THREE AXES IS INSIGNIFICANT. AT THE SAME TIME, HE BELIEVES FURTHER PROGRESS FROM THREE AXES TO FOUR OR FIVE INVOLVES SIGNIFICANT ENGINEERING

PROBLEMS WHICH WOULD REQUIRE WHOLE NEW DESIGNS AND EXTENSIVE RE-ENGINEERING WHICH WOULD BE PROHIBITIVELY EXPENSIVE. IN OTHER WORDS, NUCON 400 CANNOT BE UP-GRADED TO FOUR OR FIVE AXES SIMULTANEOUS CONTOURING WITHOUT CONSIDERABLE DIFFICULTY.

3. WEICHBRODT POINTED OUT THAT "MANUFACTURING" OF NUCON 400 BY POLES REALLY AMOUNTS TO ASSEMBLY OF COMPONENTS. ASEA IS SELLING A SYSTEM. IN RESPONSE TO OUR QUESTIONING HE SAID ASEA DOES NOT PLAN TO ASSIST THE POLES IN PURCHASING OF COMPONENTS. MANY COMPONENTS WILL BE OBTAINABLE IN POLAND AND MOST OTHERS ARE READILY AVAILABLE ON THE MARKET. TRANSFER OF TECHNOLOGY IN THE LATTER PHASE OF THE CONTRACT (WEICHBRODT WAS UNWILLING TO GIVE A TIME-TABLE) HAS STILL NOT ACTUALLY BEEN DETERMINED, BUT WEICHBRODT WAS QUICK TO POINT OUT THAT ASEA WAS MOST UNWILLING TO TRANSFER TECHNOLOGY TO THE EXTENT THAT IT WOULD DAMAGE ITS OWN COMPETITIVE POSITION IN THE FUTURE.

4. WEICHBRODT REPEATEDLY EMPHASIZED HIS WILLINGNESS, EVEN HIS DESIRE, TO HAVE SOME GUIDELINES ABOUT US POSITION ON TECHNOLOGY TRANSFER. HE DID NOT COMMIT ASEA TO COMPLY WITH SUCH GUIDELINES, BUT DID REPEAT SEVERAL TIMES ASEA'S DESIRE TO MAINTAIN GOOD COMMERCIAL RELATIONS WITH THE US. WASHINGTON TEAM PROMISED TO DISCUSS IN WASHINGTON AND PROVIDE HIM WITH US THINKING.

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CONFIDENTIAL

PAGE 03 STOCKH 02100 171014Z

5. THERE SHOULD BE NO MISUNDERSTANDING ABOUT ASEA'S POSITION REGARDING BASIC CONTRACT. NUCON 400 IS NC WITH ABILITY TO CONTROL THREE SIMULTANEOUS CONTINUOUS PATH AXES. CONTRACT WITH MERA HAS BEEN SIGNED AND ASEA IS NOT PREPARED TO CONSIDER ABROGATION OF SALES OR "MANUFACTURING" PORTIONS OF CONTRACT NO MATTER HOW

HIGHLY THEY VALUE GOOD RELATIONS WITH US. ASEA DOES NOT BELIEVE TECHNOLOGY IS GREAT LEAP FORWARD FOR POLES AND SUGGESTED IL 1091 MAY HAVE SAME EFFECT AS SETTING SPEED LIMIT TOO LOW: RESULT IS EVERYONE SPEEDS.

6. A WORD ON TACTICS. EMBOFF AND WASHINGTON TEAM AGREED THAT IT WOULD NOT BE WISE TO BEGIN MEETING BY LEANING HEAVILY ON ASEA'S NEED FOR NORMAL COMMERCIAL RELATIONS AND IMPLICIT THREAT IN PARA 2G REGARDING "OUR HOPE TO AVOID ANY COMMERCIAL DISRUPTION BETWEEN ASEA AND US SUPPLIERS TO ASEA." AS IT DEVELOPED, WE WERE THUS ABLE TO ESTABLISH GOOD WORKING RELATIONSHIP AND

WEICHBRODT HIMSELF CAME FORWARD WITH STATEMENTS THAT ASEA DID NOT WANT TO SEE THOSE COMMERCIAL RELATIONS DISRUPTED. WEICHBRODT ALSO REPEATED SEVERAL TIMES HIS PERSONAL BELIEF THAT CURRENT US CONCERN ORIGINATES WITH STATEMENTS BY COMPETITORS (READ GE).

7. TECHNICAL DESCRIPTION OF PROPOSED TRANSACTION, AS DRAFTED BY DR. MISKELL, FOLLOWS:

A) THE TRANSACTION BETWEEN ASEA AND THE POLES COVERS ONLY CURRENT TECHNOLOGY LEVEL OF NUCON 400, NO FUTURE DEVELOPMENT OR ENGINEERING DESIGN ADDITIONS. THE NUCON 400 IN THE TRANSACTION IS A MICRO-PROCESSOR-BASED NUMERICAL CONTROL UNIT WITH ROM'S (READ ONLY MEMORY) FOR THE EXECUTIVE PROGRAM AND READ/WRITE MEMORY FOR TAPE IMAGE STORAGE AND EDITING. THE SYSTEM IS A SOFT-WIRED SYSTEM (CNC) AS DEFINED BY CURRENT IL 1091.
B) THE SYSTEM CAN CONTROL UP TO A MAXIMUM OF THREE
CONFIDENTIAL

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PAGE 04 STOCKH 02100 171014Z

SIMULTANEOUS CONTINUOUS PATH AXES (3D LINEAR INTERPOLATION). CIRCULAR INTERPOLATION IS AVAILABLE IN ALL MAJOR PLANES. THE UNIT CAN CONTROL ANY THREE OF FOUR CONTINUOUS PATH AXES ON A MACHINE TOOL. IT CAN CONTROL ONE POSITIONING AXIS IN ADDITION TO THE THREE CONTINUOUS PATH AXES. SALES PROPAGANDA OF FIVE AXES CONTROL IS IN REALITY THREE OF FOUR CONTINUOUS PATH AXES AND ONE POSITIONING AXIS. THE CONTROL IS THREE CONTINUOUS PATH AXES, AS DEFINED BY IL 1091. THE CONTROL IS ADAPTABLE TO TWO-AXES TURNING MACHINES TO LATHES, VTL'S, CHUCKERS AND THREE-AXES MILLING MACHINES, TO BORING MILLS, PROFILERS, AND MACHINE CENTERS.

C) SOFTWARE TECHNOLOGY TRANSFER OF TRANSACTION MEETS THE INTENT OF US PROPOSAL IL 1500 NI. ONLY NECESSARY SOFTWARE TECHNOLOGY TO MARRY AND MAINTAIN SYSTEM WILL BE TRANSFERRED.

D) ASEA WILL NOT PROVIDE ANY POSTPROCESSOR SUPPORT (ASEA IS LARGE USER OF APT AND HAS DEVELOPED POST PROCESSORS FOR ASEA MACHINE TOOL SYSTEMS).

E) ALL ON LINE COMPUTATIONAL CAPABILITY IS LIMITED TO GENERAL INTENT OF US PROPOSAL IL 1500JN1. TECHNOLOGY GIVEN TO POLES TO MARRY CONTROL UNITS TO MACHINE TOOLS WILL BE NO MORE THAN THAT GIVEN TO ANY OEM.

8. EMBASSY WISHES TO COMMEND IN HIGHEST TERMS PERFORMANCE OF KRATZ AND MISKELL. WE BELIEVE THIS WAS A MOST SENSITIVE ISSUE WITH ASEA, AND TEAM'S PATIENT AND PERCIPIENT PRESENTATION OF US VIEWS WAS VERY EFFECTIVE IN REVERSING WHAT MIGHT OTHERWISE HAVE BEEN VERY NEGATIVE REACTION FROM ASEA. AS A RESULT, WE

HAVE EVERY REASON TO BELIEVE WE WILL BE ABLE TO IN-
FLUENCE ULTIMATE TRANSFER OF TECHNOLOGY. ALTHOUGH WE
MAY NOT BE HAPPY WITH THREE AXES SALE, OR WITH MANU-
FACTURING AGREEMENT, WE COULD NOT REALISTICALLY EXPECT
ASEA TO CANCEL CONTRACT. RESULTS, WITH CLARIFICATION
CONFIDENTIAL

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PAGE 05 STOCKH 02100 171014Z

OF CAPABILITIES OF NUCON 400, SEEMS TO US TO BE ABOUT
AS GOOD AS WE MIGHT HOPE.

9. EMBASSY WILL INFORM SWEDISH GOVERNMENT OF DIS-
CUSSIONS AT EARLIEST OPPORTUNITY. ABOVE MESSAGE
CLEARED WITH KRATZ AND MISKELL IN SUBSTANCE.
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